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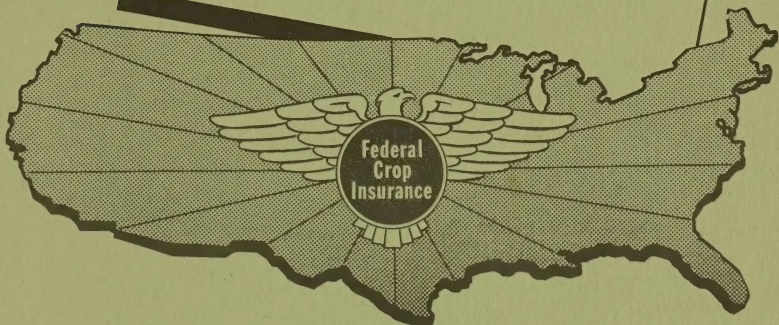


FEDERAL CROP INSURANCE IS  
GOOD BUSINESS FOR THE FARMER  
AND FOR THE NATION.

YOU RENDER A SERVICE TO BOTH  
WHEN YOU GET THE FARMER TO PRO-  
TECT HIS INVESTMENT AGAINST UN-  
AVOIDABLE RISKS.

YOU WILL CONTRIBUTE TO THE  
SUCCESS OF YOUR COUNTY CROP IN-  
SURANCE PROGRAM TO THE EXTENT  
THAT YOU INCREASE UNDERSTANDING  
OF IT AND ACTUAL PARTICIPATION IN IT.

*Charles F. Brannan*  
SECRETARY OF AGRICULTURE



# COTTON

# SALES HANDBOOK

## COMMODITY COVERAGE

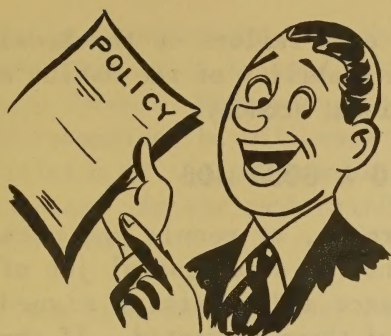
U. S. DEPARTMENT OF AGRICULTURE  
FEDERAL CROP INSURANCE CORPORATION  
OCTOBER 1950

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## YOU RENDER A VALUABLE SERVICE



Federal Crop Insurance fills a basic need. It protects the money and labor that the producer invests in crop production against loss from causes beyond his control.

You perform a valuable service each time you persuade a producer to sign an application for a Crop Insurance policy. Your contribution to the success of the County Crop Insurance Program will be the number of producers whose crop investments are protected due to your efforts. You should urge every producer to invest in this protection for it is an investment in security. The dollar spent for crop insurance is the most important dollar that the producer invests in his operating costs because it protects the others.

Federal Crop Insurance is the only protection of its kind available to farmers. It is backed by the Federal Government in order to meet a need that has existed and been recognized since farming began. Through it, the producer can add a basic principle of good business -- protection of the investment to his operations. It provides protection comparable to that which has long been available to businessmen through private companies and is considered an essential part of business operations.

The service that you render goes beyond the producer and his family. Crop Insurance not only protects the well-being of the farm family, but

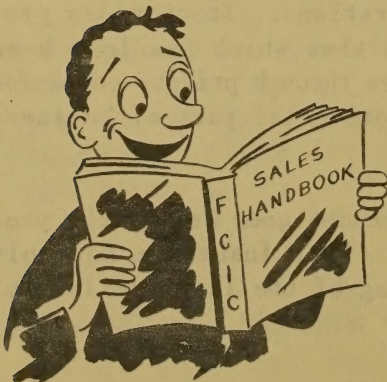
cushions the impact of crop failure on the local business community, the stability of the Nation's agriculture and the national economy.

## YOU CAN DO A GOOD JOB

There are very few farmers, or people who work with farmers, that cannot do a successful job of explaining crop insurance and obtaining signed applications from many of those contacted. If you sincerely want to do a good job and are willing to put forth the effort necessary, you will get good results.

A good job of farming or anything requires work and usually some extra effort at the start to get the job under way properly. Selling Crop Insurance is no exception to the general rule and the good workers stand out just as prominently as in farming or anything else. Start out with the idea of getting signatures early. Almost without exception counties fail to do a good job when they put off sales contacts until near the closing date. Past experience shows that outstanding salesmen were those who started making their sales contacts early.

## KNOW THE PROGRAM



Crop Insurance is an easy program to explain as you will learn by reading through this Handbook. You need to know the answers to questions about the provisions of the policy that producers may ask.

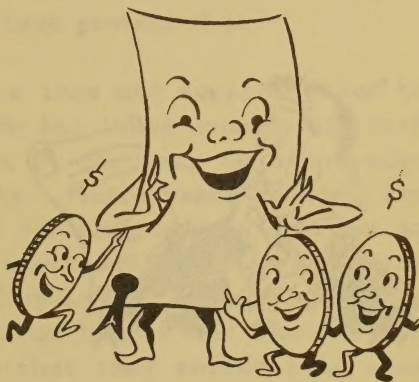


When you understand crop insurance, there is no doubt that it is a sound business proposition for every farmer. When you give the farmer this same understanding, he will want its protection. Most criticism of the program is due to lack of understanding. Answer such criticism with the correct information.

As you read through your Handbook underline all the points that the prospect should know. Then go through the Handbook a second time and put a double underline under those points that you need to explain to the producer after he signs, such as reporting a loss, etc.

## THE POLICY PROVIDES PROTECTION

A Crop Insurance policy provides protection of the crop investment with the farmer paying a premium for this protection against the unknown -- against what can happen to any crop any year that crop disaster strikes.



Crop disaster can strike any farm. It may not but it can. Like other insurance, Crop Insurance protects against what might happen. It is a program of protection and the individual who considers it in terms of his chances of collection does not understand the purpose of insurance.

You should recognize when you start that some people will not sign an application the first time

that you explain the program to them. They want to think it over. Get back and see these people soon and give them a little more encouragement toward making a sound investment in security -- spending the most important dollar that they can put into their operating expenses. Many of these you will actually have sold the first time and just need to go back and get their signatures. Leave every prospect with the realization that you know that every year many farmers suffer crop failures for the first time, so you naturally regard it as good business to protect the crop investment every year.

## UNDERSTANDING IS ESSENTIAL



You should not expect prospects to sign applications until you have fully explained the program so that they have a clear understanding of what it offers them. Your success will not depend upon any special selling techniques, but simply upon how well your prospects understand

the opportunity that you have to offer them and how many prospects you contact.

It is the wrong approach in making a sales contact to ask a prospect whether he is interested in crop insurance. It isn't a fair question. People aren't interested in something that costs them money unless they understand its value. The first



statement you make to the prospect should be one that will assure you the opportunity to explain Crop Investment Protection. Otherwise you may not have a chance to make a sales contact.

Get the prospect to recognize and agree that crop production requires a substantial investment of money and labor....that it would be good to know this investment was safe even though Mother Nature failed to provide the expected profit....that insurance is protection against what might happen.

With insurance you lock the barn door before the horse is stolen.... Ever notice that the first question people ask when a friend's house is destroyed by fire is "was it insured" ... Did you ever hear the fellow who lost his house by fire praised for his good business sense in saving the premiums that would have protected it?

The farmer who has a loss and no protection has gambled and lost. He has taken unnecessary risks with his investment by choosing to stand alone against the elements. Businessmen learned long ago that it was wise for them to join together and spread the cost of unavoidable losses among them through insurance. They learned through experience that losses can and do happen and that none of them could be sure that they wouldn't be among those who suffered losses. They learned that whether they thought that the risk was large or small that the sound business way to operate was to protect their investment through insurance whenever they could. They consider their insurance premiums as a necessary part of their business operations.

Get the prospect who hesitates about signing to look at the effect of a possible crop failure in

terms of the cold dollar-and-cents effect on the bank account, loan, standard of living, school or retirement plans, etc... Whether he has much or little it's worth protecting on a business basis or he wouldn't invest it in an effort to make more.

The important opening step in bringing a farmer into the county program is to get him to understand, as you do, that insuring the crop investment is a sound business proposition. Then, you are ready to show him how Crop Insurance works out on his farming operations. You will have given him a clear understanding of crop insurance as protection that should be carried every year. Your County Crop Insurance business is more than just so many dollars of protection. It fills a basic need. These facts should be easily understood by those who realize that farming is a business and have enough practical experience to know that man can hope but can't be sure what the harvest will bring.

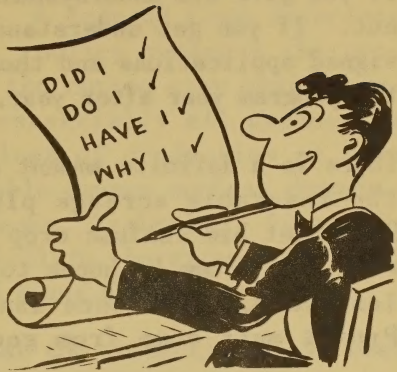
Don't leave a prospect without urging him to sign an application. You do him a favor if he signs so you have good reason to make an aggressive effort to get him to become a policyholder in your county crop insurance business.

### HOW ONE AGENT SELLS

The agent who sold the most crop insurance in 1950 was a young Alabama farmer who used his own protection to show other farmers what crop insurance is and its importance in his own farming operation. He got them sold on the basic purpose and value of crop insurance by showing and explaining how it provided him needed protection. Give some thought to his approach. Put your own protection down on



paper, explain to yourself the important job it does for you and how important it could be if crop disaster struck. This approach enabled the agent to get understanding and agreement on the value of crop insurance before his prospect's premium could influence his understanding.



You aren't selling a coverage and a premium. You are selling protection. Then, you figure what his protection and premium will be.

### A COUNTY BUSINESS

The program in effect operates as a county mutual so that farmers can build their own crop insurance business. It is expected that over a period of years premiums will cover the losses paid under the county program. Actual county experience over the years will determine the cost of the protection. At the same time the county crop insurance business is being built, the Federal Government stands behind each policy so that if widespread crop disaster results in losses in excess of accumulated county premium reserves, all indemnities will be paid off in full.

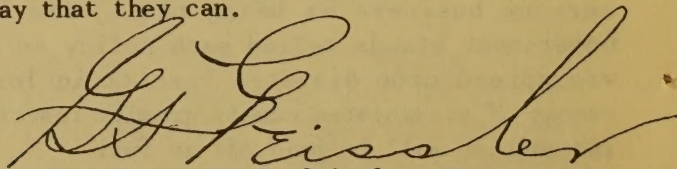
The quality of the sales work is a major factor in building a successful crop Insurance business in your county. Few problems arise in servicing

policies when farmers understand their protection. Never forget that you do every producer a favor if you give him understanding whether he signs or not. If you get understanding you will get many signed applications and those you sell will be in the program year after year.

There is a definite amount of protection based on the insurable acreage planted by the farmer. Don't let him confuse crop investment protection with the income he hopes to have this year or had last year. Insurance isn't a profit program. Profit must come from good crops and prices.

Insurance will keep him from losing the money that he invests to make a profit. Sell investment protection on its own merits. Don't hesitate to let the prospect know very clearly that there are many things the policy won't do but that it will do its job of investment protection on a sound business basis.

The following pages contain an explanation of the major program provisions. Study these and get the answers from the county office on any points that you do not understand or questions that prospects ask for which you do not have a good answer. Discuss any problems that you have with them. They'll be glad to have your suggestions for increasing participation and want to help you in every way that they can.

A large, stylized handwritten signature in dark ink, appearing to read 'G. F. Geissler', is written over the typed name.

G. F. Geissler, Manager  
Federal Crop Insurance Corporation



## PROVISIONS OF THE COTTON CROP INSURANCE PROGRAM

**PROTECTION PROVIDED**      A Federal Crop Insurance policy protects the producer's investment in the cotton crop against unavoidable loss from essentially all production hazards. It covers loss of production of lint cotton due to unavoidable causes such as drought, flood, hail, wind, frost, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation and plant disease.

It is protection against the production risks that man cannot control. It does not cover losses resulting from avoidable causes such as neglect or poor farming practices. Failure to carry out recommended control measures for insects to prevent serious damage to the crop is obviously a poor farming practice.

The protection begins at the time the cotton is planted and continues until harvest.

**WHO MAY INSURE**      A landlord, owner-operator, tenant, or sharecropper may file an application to insure his interest in the cotton crop. When the application is accepted, a Federal Crop Insurance policy will be mailed to the producer. Each individual must apply for insurance in order for his share in the crop to be insured.

Generally only one application from a person is necessary. An application signed in an individual capacity will also cover the applicant's interest as a co-owner and as a joint-operator. In these cases each interested person should file a separate application. However, in the case of a person who desires insurance on farms operated by him in an individual capacity and also on farms operated

by him in a representative or fiduciary capacity (agent, administrator, executor, guardian, etc.) or on other farms operated by a partnership in which he is a partner, separate applications must be filed.

**ACREAGE INSURED**      The policy will cover all insurable acreage of *American Upland Cotton* in the county in which the insured has an interest at the time of planting. Only acreage for which a coverage and rate have been established is insurable.

Even though a coverage and rate have been established, there will be no insurance on acreage planted to cotton which is (1) destroyed or substantially destroyed before it is too late to replant to cotton and is not replanted, (2) planted too late to expect to produce a normal crop, (3) following in the same year a small grain crop which reached the heading stage, (4) planted the first year after clearing or in irrigated sections the first year after major leveling. If acreage is released by the Corporation because of damage to the cotton crop, cotton replanted on such acreage will not be insured.

**INSURANCE UNITS**      While one policy covers all of the insured's farming operations in the county, whether he has one farm or several farms, losses are settled separately on each insurance unit. In determining the acreage which constitutes an insurance unit, it is necessary to consider producers in four groups -- owner-operator, landlord, share tenant and share-cropper.

Because of the different farming arrangements that exist for the various areas, it is important that



you understand and follow the definition of "Tenant" and "Sharecropper". A "Tenant" is an individual who rents land for a share of the crop and works a crop with workstock and equipment furnished by himself. A "Sharecropper" is an individual who works a crop with workstock and equipment furnished by another person and receives a share (regardless of the amount of the share) of the crop produced.

Land rented for cash or for a fixed commodity payment is considered as owned by the lessee. Insurance units are determined in the following manner based on the *insured's interest at the time of planting*:

(1) *For an owner-operator*, all insurable acreage in which he has 100-percent interest in the crop plus any acreage owned by him and worked for him by sharecroppers is one insurance unit. (An applicant could have only one unit of this type).

(2) *For a landlord*, all insurable acreage owned by him and rented to one share tenant is one insurance unit. (A landlord would have as many units of this type as he has share tenants.)

(3) *For a share tenant*, all insurable acreage owned by one person and worked by the share tenant with his own labor, wage hands or sharecroppers is one insurance unit. (A share tenant would have as many units of this type as he has landlords).

(4) *For a sharecropper*, all insurable acreage in a county worked by him and owned by one person is one insurance unit. (If a sharecropper has cotton planted on land owned by different persons, the land owned by each person would constitute an insurance unit for the sharecropper).

Find out the producer's intended farming operations so that you can determine how many insurance units he has and can explain his coverage for each.

**FIXED PRICE**      The fixed price is used to convert both premiums and indemnities to their cash value. The fixed price established for the county will be 90 percent of the cotton parity price for November 15 of the preceding year, adjusted for grade, staple and location of the county. The fixed price for \_\_\_\_\_ County is \_\_\_\_\_ cents per pound.

**AMOUNT OF COVERAGE**      The county office will furnish you lists or maps from which this information can be obtained. In so far as possible you should know the coverage for the four stages of production on the prospect's farm before you begin your talk with him so that you can be specific regarding the protection available to him without allowing your presentation to suffer a cooling off period while you are looking it up.

In determining the insurance units for his operation, you have learned the number of acres of cotton he intends to plant and his interest in the crop. Work out the coverage for each insurance unit. The producer's maximum protection for an insurance unit will be the coverage per acre (fourth stage) multiplied by the number of acres to be planted and by the interest in the crop.

Successful salesmen explain the protection in terms of dollars as well as pounds. Multiply the coverage in pounds by the actual or estimated fixed price so that you can show the prospect the dollar value of his total maximum coverage for



each insurance unit and for his entire cotton crop.

Point out to him how his coverage increases in four progressive stages as his investment in the crop increases. The four stages are:

*First stage* - From the time it is too late to replant until the first cultivation.

*Second stage* - From the time of the first cultivation until laying by.

*Third stage* - From the time the crop is laid by until ten percent of the fourth stage coverage is harvested.

*Fourth stage* - After at least ten percent of the coverage for this stage is harvested.

The stage of production reached by the cotton crop for any acreage determines the coverage applicable to such acreage.

**PREMIUM** Federal Crop Insurance is actually available to producers at less than cost since the administrative expenses of operating the program are provided by Congress to make it possible for farmers to have this needed protection which is not otherwise available to them. Premiums are used only to pay losses to insured producers.

All premiums paid by county farmers which are in excess of losses paid in the county are credited to the county and favorable experience over a period of years will lower the cost of this all-risk protection. By incorporating the experience in the county in the premium rates periodically, the actual operation of the program in the county determines the rate.

Figure out your prospect's premium on the basis of his intended acreage. The premium is determined by multiplying (a) the insured acreage, by (b) his interest in the crop, by (c) the premium rate. Then convert this to dollars by multiplying it by the actual or estimated fixed price.

The premium for an insurance unit cannot exceed 50 percent of the coverage for the insurance unit. As a rule, this is applicable only in cases of early release of acreage in low coverage areas.

### PREMIUM REDUCTIONS

(1) There is a percentage reduction in premium when the insured acreage for an insurance unit is 50 acres or more. Figure this reduction from the table on page 21.



(2) A 5 percent discount will be allowed the insured provided he files his acreage report and pays his premium by June 30. If the insured does not take advantage of the 5 percent discount, his

premium will become due on \_\_\_\_\_, which is the maturity date of the premium note.

(3) The insured may, through *continuous participation*, receive a 25 percent reduction in premium for good experience when (1) he has had seven consecutive insured cotton crops (preceding the current crop year) without a loss for which an indemnity was paid, or (2) his accumulated balance of premiums over indemnities for consecutively insured crops including the current crop year exceeds his total coverage (harvested acreage basis). That's why it's very important that the insured keep his policy in force every year. He collects an indemnity when crop failure strikes and he gets the cost of his protection reduced if crop failures miss him.

(4) A minimum reserve requirement is established for the county and when the county reserve exceeds this requirement, the surplus will be returned to county producers who were policyholders the previous year through an adjustment in premium in direct proportion to the amount of surplus, ranging from a minimum adjustment of 5 percent to a maximum adjustment of 30 percent in any year. Farmers insured under the county program benefit as a group and individually from good loss experience.

The crop insurance premium is deductible as a farm operating expense on a farmer's income tax return. You may want to stress this point to some producers as it will reduce the net cost of this protection by the percent of his income tax bracket. For some people this will mean a substantial saving. Show him how much this might affect the actual cost to him.



## LOSSES



An indemnity is payable if the total production for an insurance unit is less than the total coverage. The amount of loss in pounds for an insurance unit is determined by multiplying the insured acreage by the coverage per acre and subtracting the total production. The loss for the insured is then determined by multiplying the loss for the insurance unit by his interest in the crop. The number of pounds of cotton approved as indemnity will be multiplied by the fixed price and a check will be issued the insured promptly after the loss claim is approved.

Total production on an insurance unit includes (1) harvested cotton, (2) cotton left in the field, (3) only production on acreage released in the third stage which is in excess of 10 percent of the fourth stage coverage, (4) only appraised production in excess of the coverage for acreage released in the second stage, and (5) cotton lost from causes not insured against. There is no appraisal on acreage released in the first stage.

Explain that a crop insurance policy provides "quality" protection. If any cotton production is damaged in quality so that the value per pound is less than 75 percent of the fixed price, not all of this cotton will be counted as production in computing a loss. The amount counted will be a smaller number of pounds obtained by dividing the total value of such cotton by 75 percent of the

fixed price. An indemnity will be paid if the number of pounds so determined plus any other production of good quality cotton is less than the coverage, even though the insured may have produced a greater number of pounds than his coverage.

Tell the producer who has signed an application that loss reports should be made to the county office in writing. Advise him that any material damage to the insured crop must be reported immediately after the damage occurs and that any loss must be reported immediately after harvest is completed. Caution him that damaged cotton acreage must not be put to another use until it is released in writing by an adjuster and that he should request such release through the county office.

### OTHER IMPORTANT POINTS

*Terms of Contract* -- The contract continues in force for each crop year until cancelled by the insured or by the Corporation. Either party may cancel the contract effective for any crop year on or before the cancellation date stated in the policy preceding the crop year for which the cancellation is to be effective. The majority will want their cotton investments protected every year so that they will have the protection if crop disaster strikes. With this contract it will not be necessary to make a new application each year in order to have Federal Crop Insurance protection. If changes are made in the contract, the insured will be advised of these changes in advance of the cancellation date.

*Co-signers* -- All applicants who are classified as sharecroppers (producers who do not own their workstock and equipment) must have a co-signer of

the premium note. The county office will instruct you regarding other producers who must also have a co-signer. The co-signer should understand that he is a surety of the premium payment only and is in no other way a party to the contract. He should be a landlord, furnishing merchant, or other responsible person and should sign in the space provided in Item 4 of the application.

*Collateral Assignment* -- The original insured may assign his right to any indemnity as collateral for a loan or other obligation by executing Form FCI-20, "Collateral Assignment", and filing it at the county office. A Federal Crop Insurance policy will make any producer a better credit risk since it may provide the necessary security to enable him to obtain financing. This feature can be stressed to good advantage as a selling point from the standpoint of both the producer and the lending or credit institution.

*Transfer of Interest* -- The transferee may have protection under the insured's contract if he executes a transfer of interest form at the county office within 15 days after the transfer occurs. The original insured continues to be liable for any premium due on the acreage and interest transferred if it is not paid by the transferee.

*Hail Insurance* -- The amount of a Federal Crop Insurance indemnity will not be reduced because the farmer also carries hail insurance. Hail insurance and Federal Crop Insurance are not competitive. Hail insurance covers only the one risk while Federal Crop Insurance covers essentially all unavoidable risks.



## FILLING OUT APPLICATION

### PREPARATION OF FORM

The applicant's name should be printed in the space provided at the top of the form exactly as it is signed. If you follow the very good practice of filling out the form before you urge the producer to sign, you will want to ask how he signs his business papers.

The following entries are to be made in the space provided in the heading of the application before it is signed by the applicant: (1) name of the insured crop, (2) first crop year of the contract, and (3) type of insurance.

Enter the date of the applicant's signature in the space provided. You should sign as witness to the applicant's signature. If the applicant's signature is by mark, the signature of a second witness must be obtained if the county office has so instructed you.

Enter in the box at the bottom of the application information as to the location of the farm(s) of the applicant or his headquarters and his telephone number if he has one. This information is for future use in servicing the contract and should be such that it will assist an adjuster in locating the farm(s) or the place where the applicant can be contacted. *This does not mean that the insurance is limited to these farms.*

### SIGNATURES

Applications should be signed with indelible pencil or ink and *must be handwritten*, not printed. Signatures should include at least one given name, an initial, if any, and the surname.

When a person signs in a representative capacity he must show (1) the name of the principal for whom he is acting, (2) his own signature, and (3) the capacity in which he signs.

Following are some examples of signatures correctly affixed:

1. *As an individual:*

- a. John T. Smith
- b. J. Thomas Smith
- c. Mary L. Smith

2. *As agent:*

- a. John T. Smith, by Henry O. Brown, Agent
- b. Smith and Jones, a partnership, by George E. Miles, Agent

3. *As member of partnership:*

- a. Smith and Jones, by John T. Smith, a partner

The above types of signatures cover most cases. If you should obtain an application with a signature that you are doubtful about, call this to the attention of the county office. Should you need additional information regarding the correct manner of affixing a signature, you may obtain it at the county office.

## YOUR SALES REPORT

You are required to make regular reports of contacts and sales to the county office on the form that they furnish you.

Information needed for your sales report includes (1) name of each person contacted, (2) date contacted, (3) if application is signed, the number of insurance units covered, and (4) if application is not signed, brief reasons why and whether you will re-contact him.

### PREMIUM REDUCTION TABLE FOR SIZE OF ACREAGE

The following table shows the amount of reduction in annual premiums where the insured acreage on an insurance unit is 50 acres or more:

ACREAGE	PERCENT REDUCTION
0 - 49.9	0
50 - 99.9	2
100 - 149.9	4
150 - 199.9	6
200 - 249.9	8
250 - 299.9	10
300 - 349.9	12
350 - 399.9	14
400 - 449.9	16
450 - 499.9	18
500 - over	20



Information needed for your report includes:  
 (1) date of each person contacted, (2) date con-  
 tacted, (3) application as signed, the number  
 of persons contacted, and (4) if application  
 is not signed, date received and whether you  
 will re-contact him.

# PREMIUM REDUCTION TABLE FOR SIZE OF ACREAGE

The following table shows the amount of reduction  
 in annual premium when the insured acreage is as  
 indicated with a 50 acre base.

PERCENT REDUCTION	ACREAGE
0	0 - 49.9
1	50 - 99.9
2	100 - 149.9
3	150 - 199.9
4	200 - 249.9
5	250 - 299.9
6	300 - 349.9
7	350 - 399.9
8	400 - 449.9
9	450 - 499.9
10	500 - 549.9
11	550 - 599.9
12	600 - 649.9
13	650 - 699.9
14	700 - 749.9
15	750 - 799.9
16	800 - 849.9
17	850 - 899.9
18	900 - 949.9
19	950 - 999.9
20	1000 - 9999

